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EDIC/M-5
Control No.
20 January 1955

ECONOMIC DEFENSE INTELLIGENCE COMMITTEE

Minutes of 5th Meeting

10:45 - 12:30, 18 January 1955

PRESENT

25X1A9a

[REDACTED]
Lt. Col. Brown, OSD
Mr. Hamilton, APOIN
Mr. Beresford, FOA/MDAC
Miss Baldwin, FOA
Mrs. Young, State/EDS
Miss Hanes, State/OIR
Mr. Doherty, State/OIR
Mr. Taft, State/MC
Mr. Young, Commerce

1. REPORT ON EXECUTIVE COMMITTEE CONSIDERATION OF IWG/R-16,
"EXTERNAL FINANCIAL OPERATIONS OF THE SOVIET BLOC"

Discussion - The Acting Chairman reported on Executive Committee consideration of this paper (ref: ED/EC M-151 of 7 January 1955) and of that Committee's recommendations regarding implementation of the IWG (EDIC) subgroup recommendations. It was the decision of the Executive Committee that (a) its members examine IWG/R-16 and comment "on the priorities and range of problems inherent in that report." (The Executive Secretary, EDAC, would "coordinate with Mr. Wright (State) and prepare a package presentation of those

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EDIC/M-5

comments to EDIC); (b) EDAC working groups would review and report on "their current and proposed operations in terms of the importance of the external financial operations of the Soviet bloc to those operations."; (c) functions a) and c) in page 2 of IWG/R-16 should be deleted since they could be incorporated in b) and d).

The Acting Chairman declared it is the CIA view that no new single unit should be established to carry out whatever priorities or intelligence activities are recommended by the Executive Committee. The problem at this time is, rather, to discuss necessary arrangements for allocating to existing units within the intelligence community the specific functions under the suggested plan. He suggested that a statement by the Executive Committee of priorities for work on this subject in the light of other research needs is now required.

Mr. Doherty suggested that the report should not have been sent forward by IWG to the Executive Committee in the first place since OIR had dissented to certain recommendations therein. He added that the whole policy atmosphere had changed by reason of relaxation of controls and that, accordingly, the urgency for this type of intelligence work had lessened. (Note: EDAC D-48 of 25 May 1953, "Intelligence Working Group Procedures" provides that in the preparation of IWG (EDIC) reports - "If time, or the nature of the dissents, does not permit development of a concurred report representing the intelligence consensus of the several members, the report may be forwarded with any dissents, comments, or additional intelligence to the requester and given authorized IWG

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EDIC/M-5

dissemination.") He pointed out that action elements can reasonably expect to obtain answers from the intelligence community only to those questions which are thoughtfully conceived and relevant to a specific problem in the economic defense field. Mr. Doherty declared that intelligence must not be considered an inexhaustible storehouse of knowledge which can serve up correct answers at the "push of a button."

25X1A9a [REDACTED] questioned Mr. Doherty's statement that the relaxation of controls has lessened the need for this type intelligence. She argued that, to the contrary, the weakening of trade controls makes even more urgent the collection and analysis of intelligence on the external financial operations of the Soviet bloc. Such intelligence is basic to implementation of COCOM—agreed tighter enforcement measures to prevent diversions.

The Acting Chairman paid tribute to the excellent work of the subgroup in producing I&G/R-16. He pointed out that it is now the responsibility of the Executive Committee to establish appropriate priority for this specialized work within the framework of the I&G report.

2. TENTATIVE CIA VIEWS ON CRITERIA INVOLVED IN RECONSIDERATION OF THE CHINA LIST

Discussion - The Acting Chairman repeated his earlier statement on the value of preconsultation between action and intelligence elements for purposes of developing reasonable criteria and maximizing intelligence support for the China List review. He referred to the Executive

-3-

CONFIDENTIAL

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EDIC/M-5

Committee request of 17 December and to Admiral Delany's request of 22 December 1954 on CIA for suggestions as to criteria which would elicit adequate intelligence to meet US objectives in support of a reconsideration of the China List. Preliminary meetings were held with the Department of State for the purpose of producing a coordinated paper in answer to the Executive Committee/Delany requests. The Acting Chairman then referred to an ORR paper of 14 January 1955 - ORR/CIA Views Concerning the Reconsideration of International Trade Controls Against Communist China. He reviewed the substance of the paper, explaining the significance of selected paragraphs, and indicated that its tabling in EDIC was for the purpose of eliciting comments of member agencies.

Mr. Doherty inquired what was to be gained by discussing this ORR paper in EDIC since it is the intention of OIR to forward a separate paper on the subject to the Executive Committee. He stated that there was no direct connection between the ORR paper and that prepared for the Dodge Council. Mr. Doherty had understood that the Executive Committee had requested coordinated intelligence views on the availability of intelligence for the China List review, and expressed resentment over CIA's submission of a non-coordinated paper in response to the EC request. The Acting Chairman explained that the ORR paper was not to be construed as a coordinated report to the Executive Committee, had no special stature, was not tabled in EDIC for coordination, and accordingly, that the EC request is considered still outstanding.

- 4 -

CONFIDENTIAL

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EDIC/M-5

Mr. Doherty asserted that each of the intelligence agencies was "on its own" until the Executive Committee reaffirms its request for coordinated views, adding that it was unfortunate that CIA submitted this paper to the EC without attempting to coordinate it with other interested elements of the intelligence community. He suggested that if CIA will withdraw its letter to Admiral Delany and use the EDIC mechanism to produce a coordinated paper, OIR will defer its own submission to EC on the subject.

Answering this criticism of CIA, the Acting Chairman reminded Mr. Doherty that the ORR paper had not been coordinated because Admiral Delany had requested CIA views by the 14th of January, which deadline had been met. He declared his willingness of "starting from scratch" and of doing anything requested by the EC in this regard. The Acting Chairman also declared, in direct rebuttal to Mr. Doherty's remarks, that State has been the least prone to coordinate any of their papers in EDIC and distributes OIR reports in EDIC only for ex post facto comment. ORR, on the other hand, has consistently followed the practice of producing economic defense papers under EDIC label with credit lines to acknowledge the contributions of the several member agencies.

Action - It was agreed that production of a coordinated paper should be considered but no responsibility was placed on EDIC in this matter.

- 5 -

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EDIC/M-5

3. MDAC REPORT ON DISSEMINATION OF EDAC "INFORMATION DOCUMENT"

25X1A9a Discussion - The Acting Chairman referred to a discussion on
this subject at the last meeting, at which time [REDACTED] was asked
to make certain representations thereon to the Executive Secretary of
25X1A9a EDAC. [REDACTED] reported as follows: it is proposed that a new
series of EDAC documents be initiated which can serve as a vehicle
for the circulation of unclassified news articles and related material
in the field of East-West trade.

25X1A9a Action - [REDACTED] proposed plan was approved. The
Acting Chairman suggested that such "information documents" be distributed
with a caveat to the effect that such document was unevaluated. If
the EDAC Executive Secretary considers the document of sufficient
importance, its transmittal should incorporate a request for evaluation
of the document.

4. OTHER INTELLIGENCE MATTERS

a) The Executive Secretary distributed EDIC/AM-4 of 18 January -
Statement on Distribution of Current Economic Intelligence to Action
Agencies. Members were requested to inform the Executive Secretary of
their approval or to furnish appropriate comments.

b) The Executive Secretary questioned the present situation
regarding the check list of decontrolled commodities being prepared by

- 6 -

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EDIC/M-5

JOC for purposes of surveillance control. (ref: JOC Document No. 54 Supplement 1 of 9 December 1954). Miss Baldwin indicated she is preparing a short list to supersede the referenced document which will be submitted for JOC review.

c) Mr. Taft reported approval on 14 January by a COCOM subcommittee of an International Munitions List which is scheduled to become effective 20 days following the subcommittee approval.

d) Members expressed agreement to distribution in EDIC of an Alphabetical Index to Strategic Commodities, based on the several control lists and prepared in CIA.

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Distribution

Cat. B - (1-13)(S/TF)
C - (1,2,5)
D - (All)
E - (1-3)

- 7 -

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